Marketers' Internet Ad Barometer

European Interactive Advertising Association

Overview

Brief

- Interview advertisers in UK, France, Germany, Italy, Spain, Netherlands and the Pan-European sector to assess changing media strategies and ascertain attitudes towards internet advertising
- Focus on FMCG, Entertainment, Automotive, Consumer Electronics and Travel sectors
- Mix of marketing decision-makers with national and European responsibilities

Research focus

- Internet advertising expenditure
- Internet media strategy
- Media choice
- Budget process
- Business impact

Presentation Agenda

- Who we spoke to
- Trends in internet ad spend and the online budget
- Advertiser perceptions & opinions
- Online growth drivers
- Future of online advertising
- Summary

Automotive

CITROËN

DAIMLERCHRYSLER

Ford

ALFA ROMEO

PIAGGIO

RENAULT

PEUGEOT

SKODA
AUTO

TOYOTA

smart

FIAT

SAAB

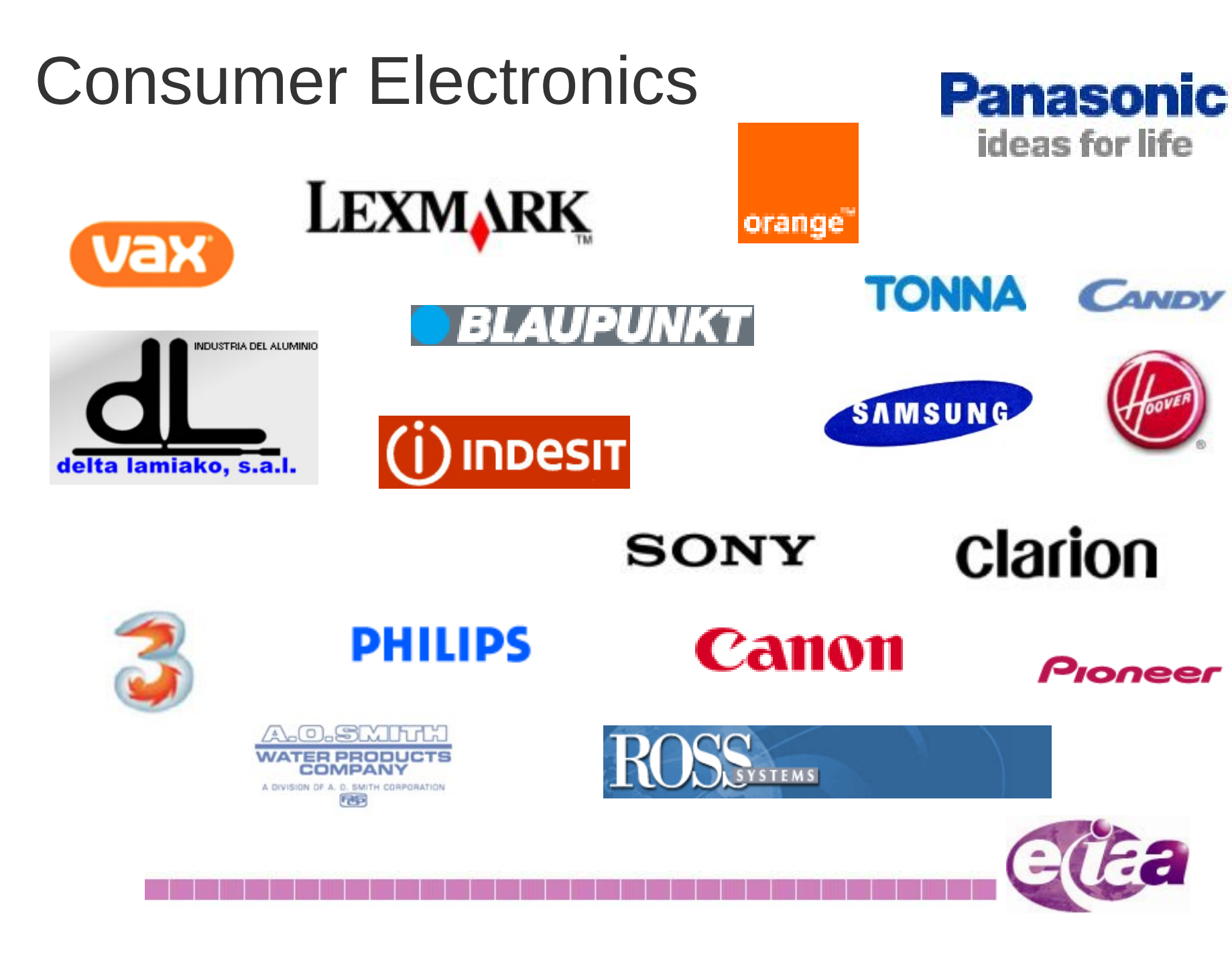
CHRYSLER

SEAT
auto emoción

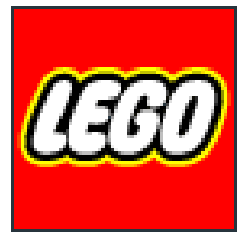
IGARA
Concesionario RENAULT

eiaa

Consumer Electronics



Entertainment



FMCG

KRAFT

Nestlé
Good Food, Good Life

Kellogg's

ESTĒE LAUDER

Gillette

Elizabeth Arden

Unilever

Cadbury

P&G

Yves Rocher

Kimberly-Clark

DANONE

Coca-Cola

L'ORÉAL

Pernod Ricard

ESSELUNGA

Kobalt

gsk
GlaxoSmithKline

MasterFoods

Barilla

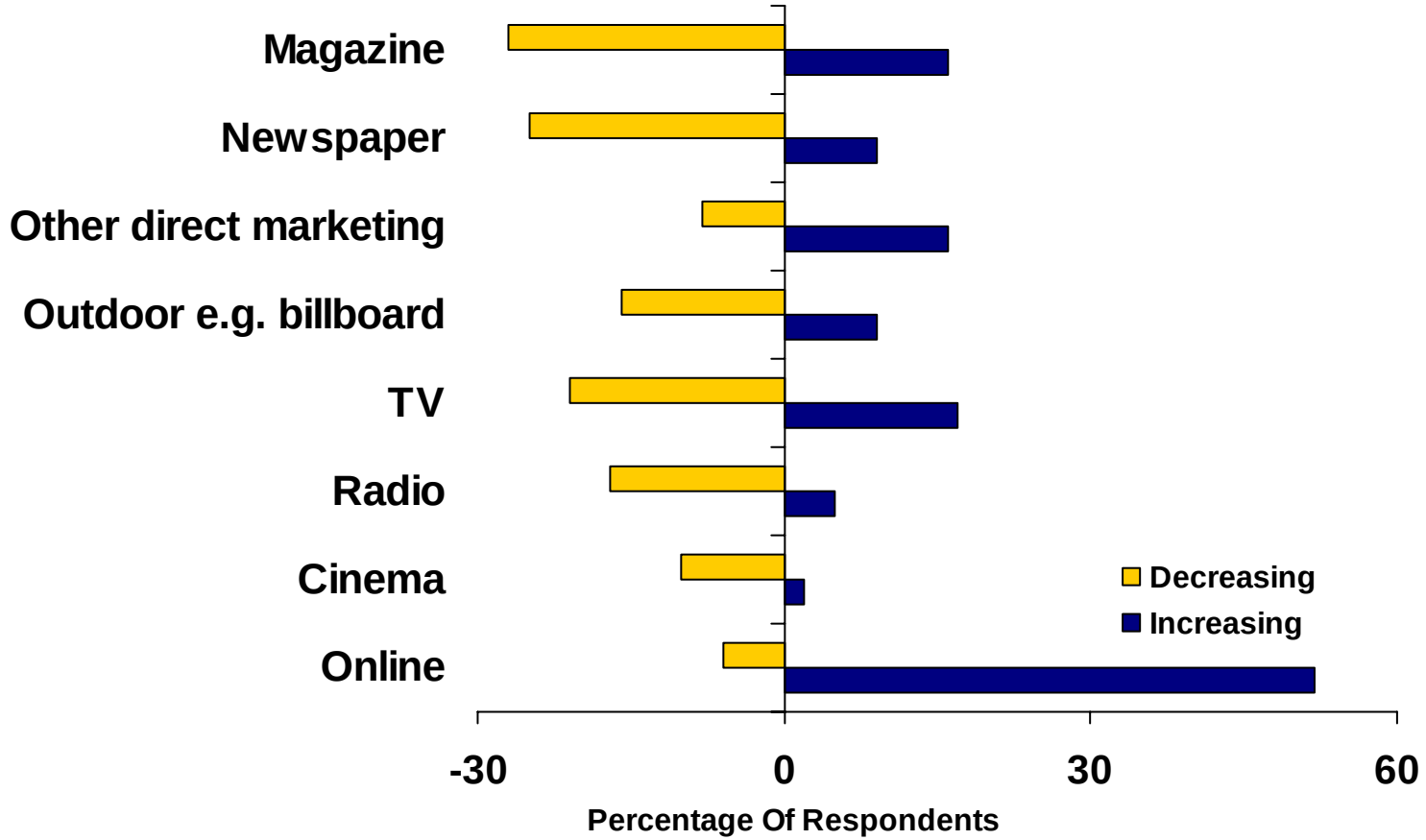
eiaa

Travel

First Choice
BRITAIN
visitBritain
Carlson Wagonlit Travel
Monarch
www.flymonarch.com
Thomas Cook
TUI
Nederland
VVF
VACANCES
AirEuropa
Voyageurs
DU MONDE
GoGo
opodo
lastminute.com
Vacances Bleues
KLM
Sunweb
Club Med
Spanair
A STAR ALLIANCE MEMBER
Expedia.it
Viaggia a modo tuo
P&V
GROUPE
PIERRE & VACANCES
IBEROSTAR
HOTELS & RESORTS
FRAM
TOTALLY
LONDON
www.visitlondon.com
JOGITRAVEL
de VakantieDiscounter
eTaa

Advertising expenditure

How Is The Mix Changing?

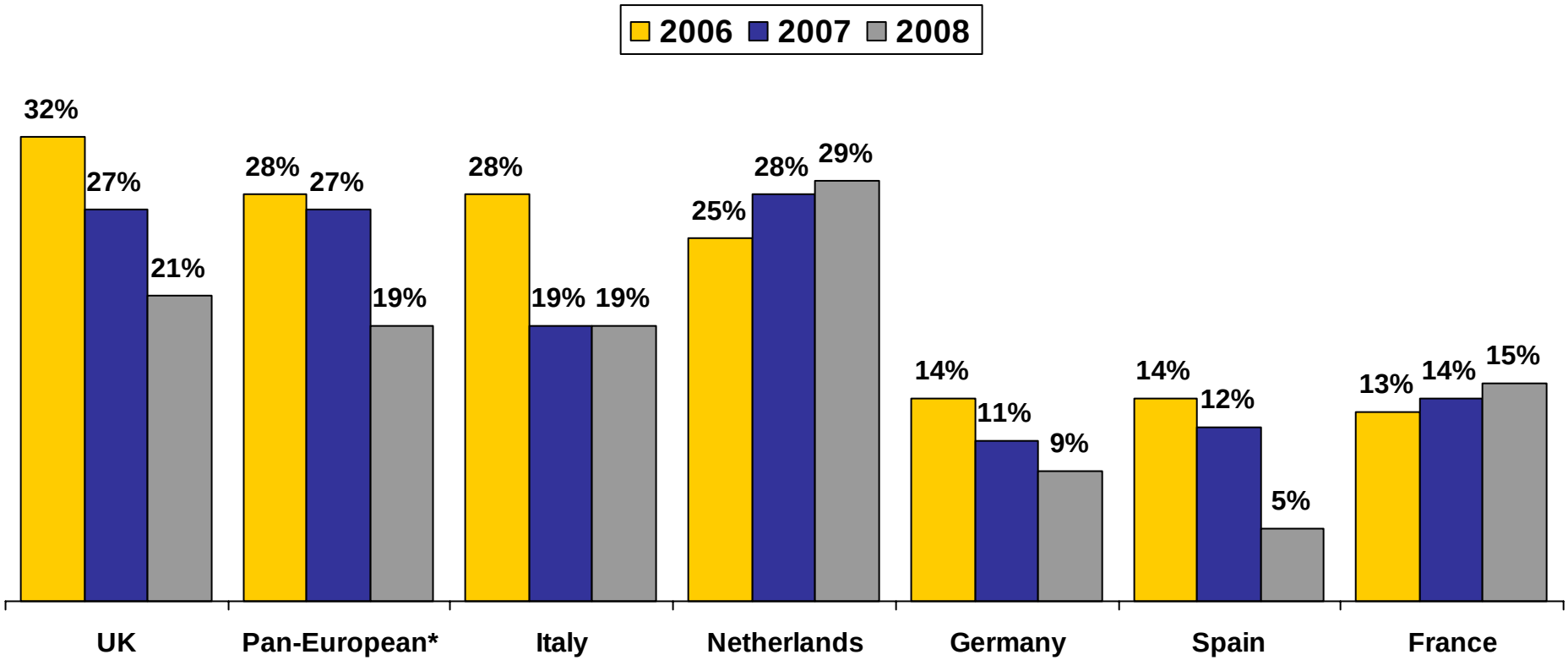


Q 61. Which media is your usage increasing/decreasing with?

Internet advertising expenditure

Growth in advertising expenditure

All Respondents by market/buyer

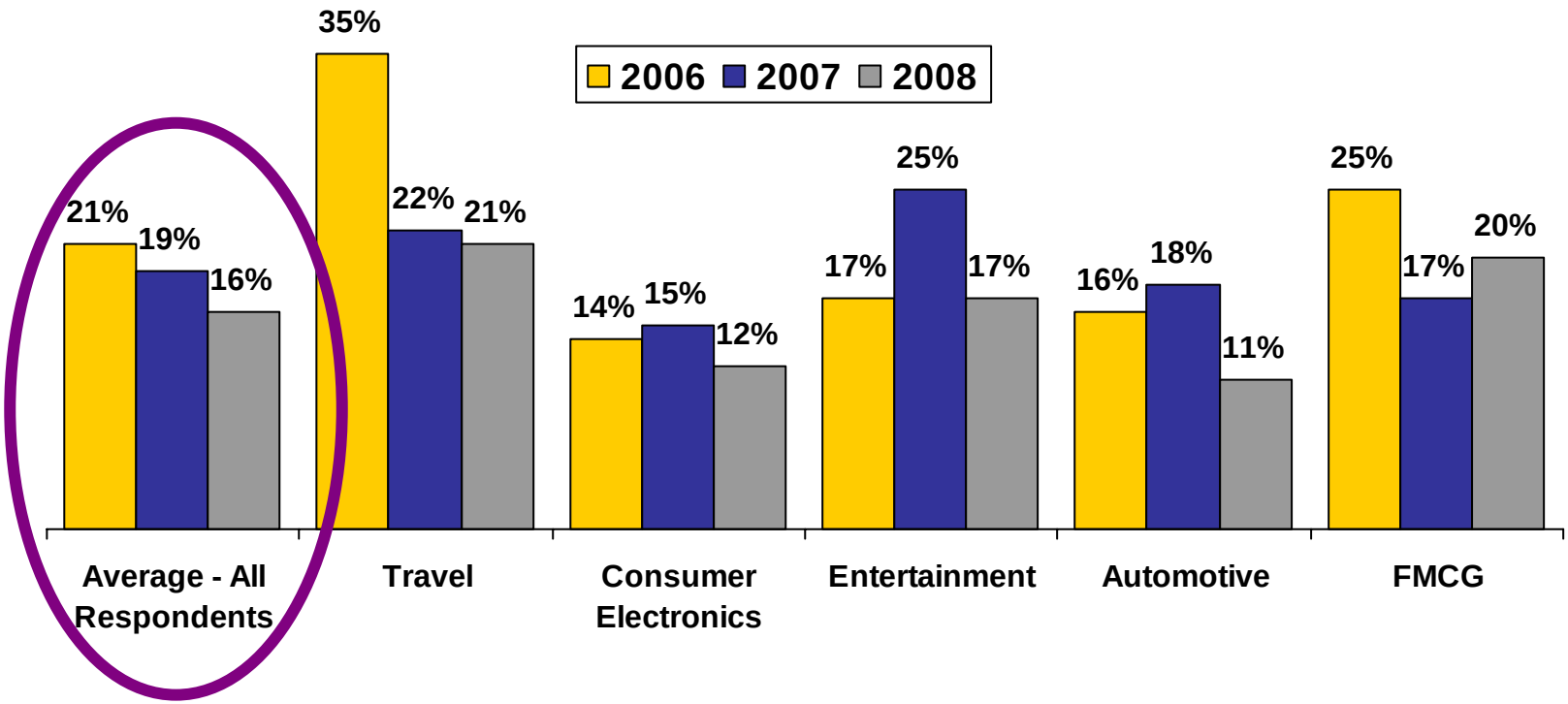


Q5. What year-on-year % growth in your company's internet ad spend do you forecast for 2006/2007/2008?

***** In this context pan-European advertising budgets are those which are allocated and managed at a pan-European rather than a country level

Growth in advertising expenditure

All Respondents by sector



Q5. What year-on-year % growth in your company's internet ad spend do you forecast for 2006/2007/2008?

Key themes

- **Countries**
  - UK, Netherlands and the pan-European sector lead the pack in terms of forecast spend but the gap is narrowing between these three and France, Germany, Spain and Italy
  - Vast majority of internet ad budgets allocated nationally, but regional/European teams have strong influence
  - Decision-making authority mirrors P/L responsibility – on average over 90% of ad budgets and internet ad budgets are managed nationally, but there are significant differences between sectors

Key themes

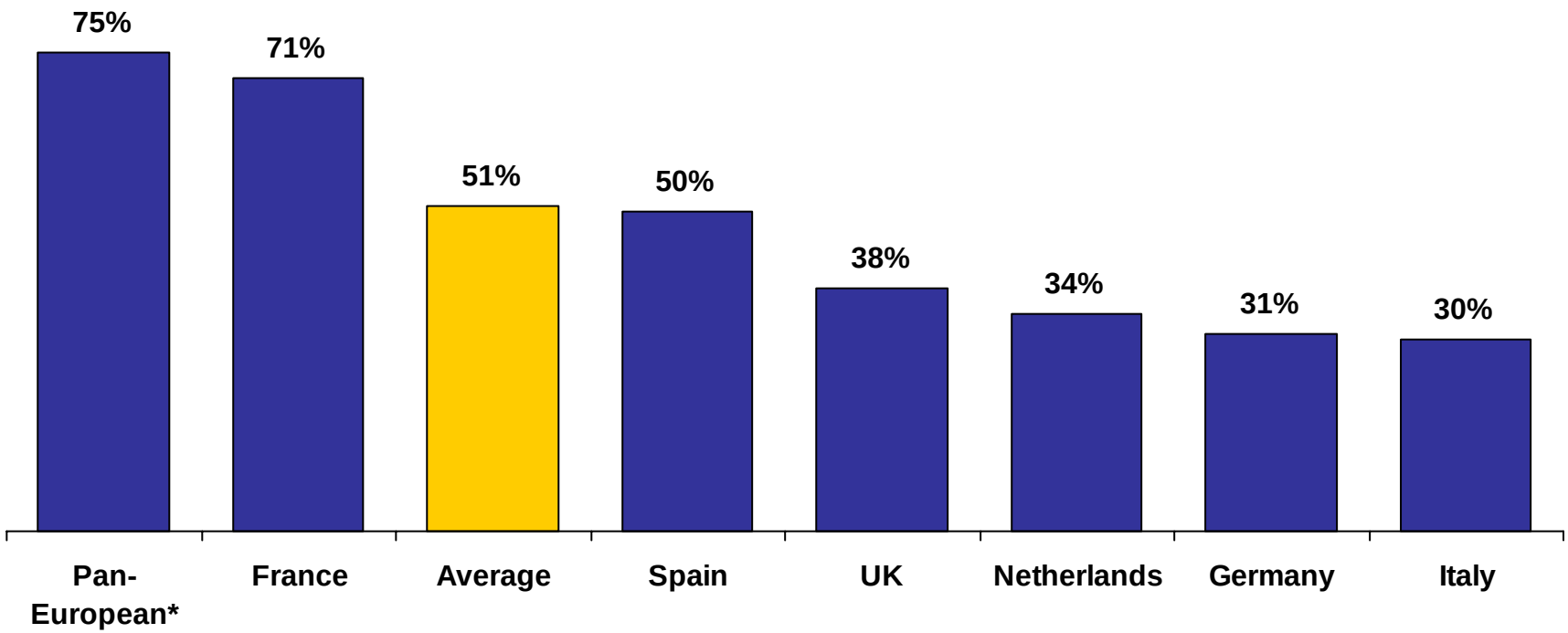
- **Trends in ad spend**
  - The report shows that online ad spend is expected to grow substantially over the next three years, rising by 67% by 2008.
  - 43% of these advertisers spent 1-5% of their budgets online in 2005
  - 42% spent 6%+ online
  - 9% spent none of their budgets online in 2005 but a third of these advertisers said they intend to spend online in 2006.

Key themes

- **Spenders**
  - The increased growth in online usage has lead to greater support from both lower & higher spenders to include online in their marketing strategies.
  - Higher online ad spenders link advertising to key marketing and business metrics

The Online Budget

Online Budget



Q8. What % of your increased online ad spend has come from other Media?

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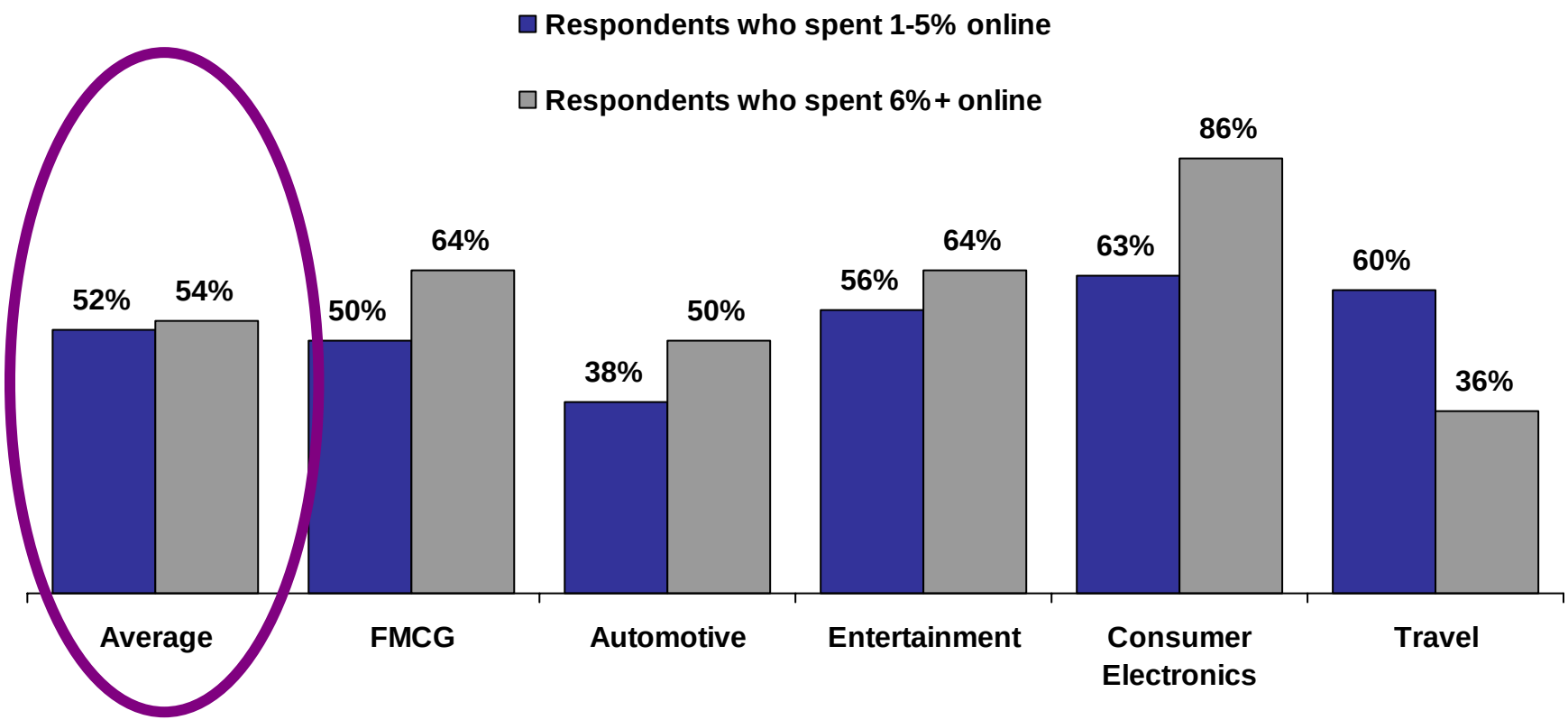
Online Budget

- Overall 51% of increased online ad spend has come from other media budgets
- Advertisers with higher online spend tend to take more budget from other media
- Online ad spend is most likely to come from TV or print budgets
  - FMCG companies are taking spend from TV
  - Entertainment and Consumer Electronics are taking from TV and print budgets
  - Travel is mostly diverting spend from Print
  - Automotive advertisers are taking a share from across the board

Online Budget

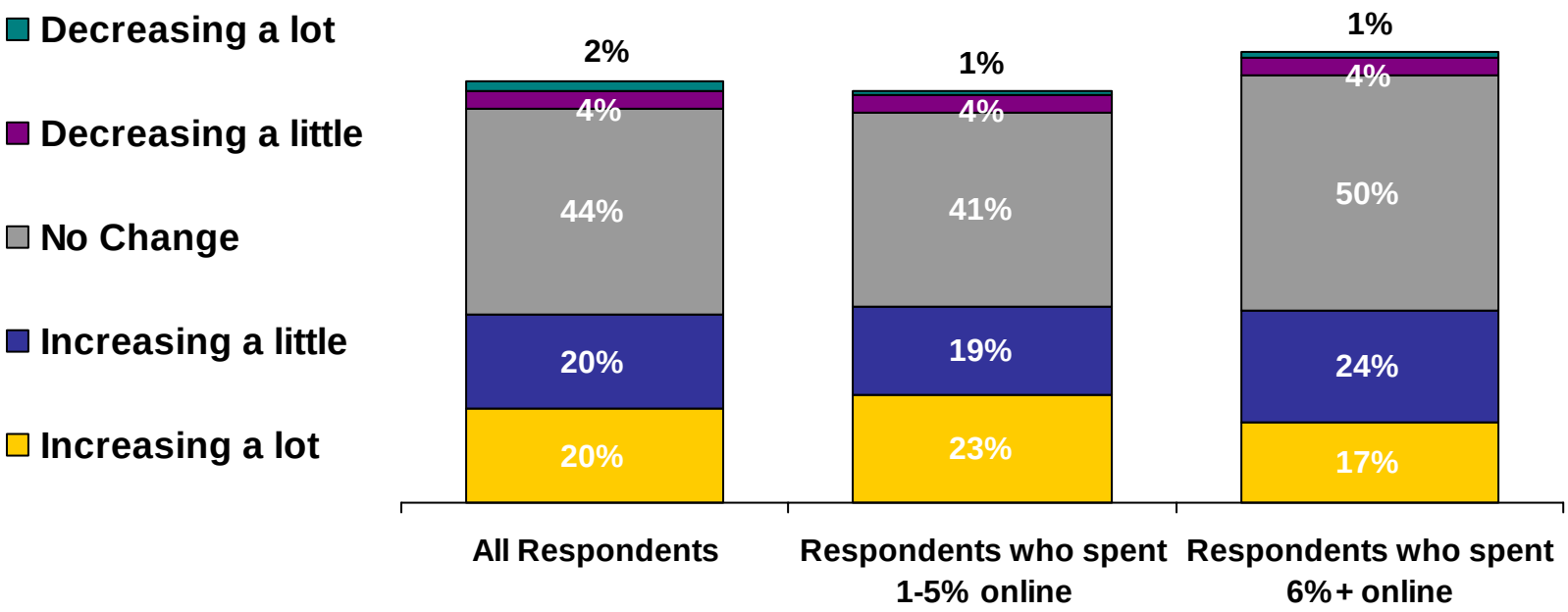


Q8. What % of your increased online ad spend has come from other Media?

Brand vs Direct Response

Change in Direct Response & Brand Advertising Spend

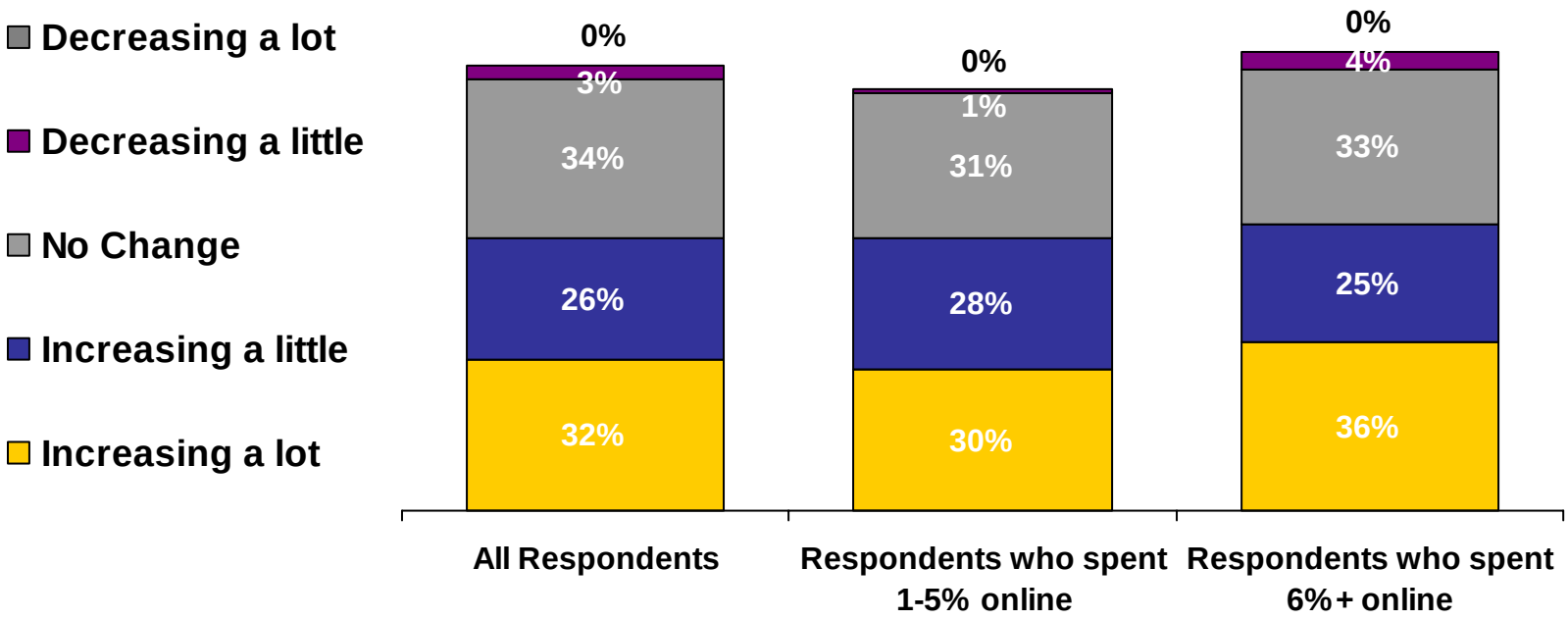
Brand Advertising



Q11. How do you see this changing over the next two years?

Change in Direct Response & Brand Advertising Spend

Direct Response



Q11. How do you see this changing over the next two years?

Advertiser Perceptions & Opinions

Advertiser perceptions

- 74% of all respondents regard the internet as a vital part of their advertising strategy
- 78% thought it enabled them to reach specific groups difficult to reach in other ways
- 80% of respondents feel that increasing broadband penetration is making the Internet more attractive
- The language and technology used in online advertising was no longer considered to be an issue for 64% of advertisers

Advertiser perceptions – higher vs lower

- Higher spenders naturally value the internet more highly – 86% agree that its vital to their marketing strategy - more than twice as many as low spenders
- Higher spenders want less ads on the page
- They have adopted online language and technology
- Broadband and ability to target appeal across the board
- Similar opinions on the value of brand advertising

The Effects Of Broadband

- 60% recognise that broadband has had a positive effect on their business
- From simply making the process of communication easier and quicker, giving them a platform to create an International brand, the ability to offer e-commerce
- Just over a half felt it had impacted upon their media strategy mainly in relation to the greater creativity it affords them

It has allowed for the use of much more attractive and advanced displays, including videos and other non-conventional forms of advertising. – Travel, Spain

It has driven the usage of the internet as a medium, video streaming would have been unthinkable without it. – Entertainment, UK

Objectives and Impact

Importance Of An Internet Ad Strategy

All Respondents	1: Not at all important	2	3	4	5 : Very Important
Influence purchase decisions	8%	9%	17%	30%	28%
Deliver customer contacts	9%	8%	19%	29%	28%
Generate sales	8%	13%	19%	23%	30%
Change brand perceptions	8%	17%	26%	27%	15%
Increase brand awareness	11%	13%	31%	19%	19%

Q19. On a scale of 1-5, where 1 is not a all important and 5 is very important, how important is internet advertising strategy to your company on the following objectives?

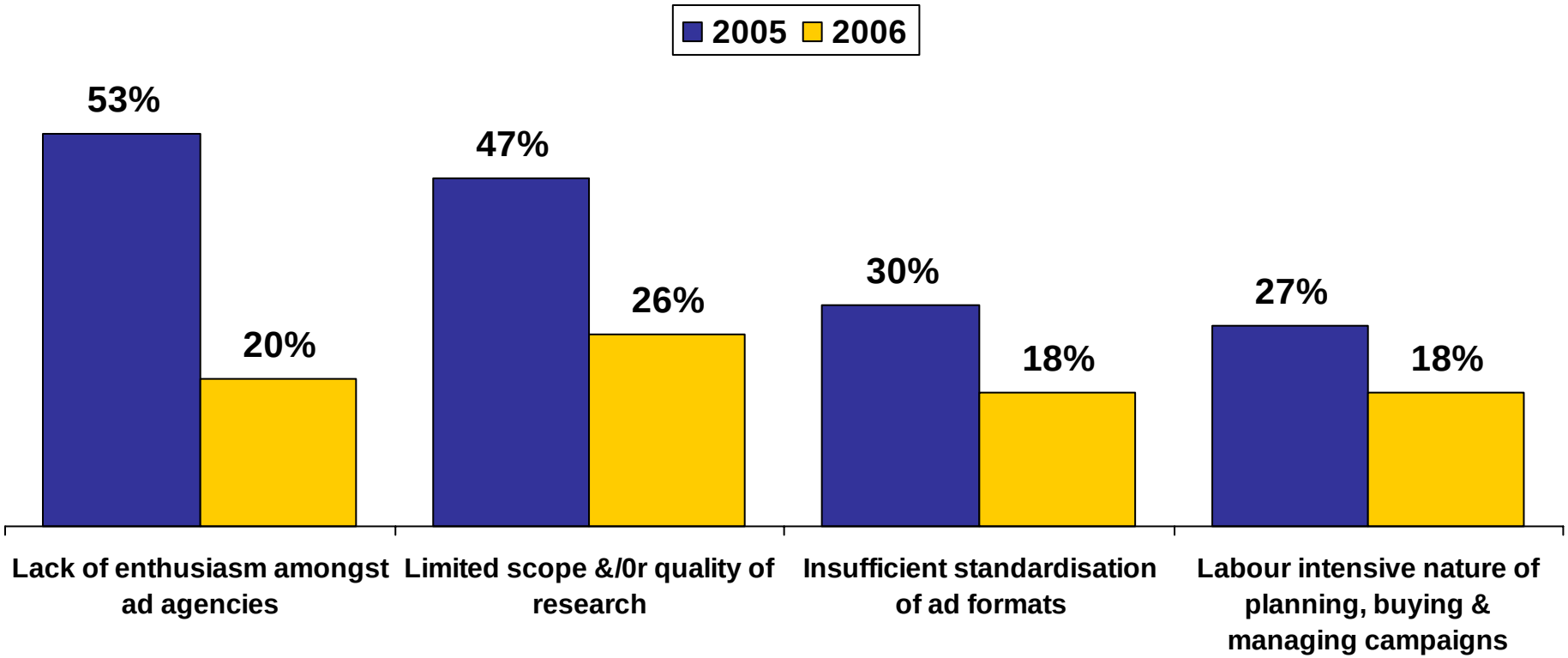
The Impact Of Online Advertising

All Respondents	Positive	No Impact	Negative
Customer acquisition	66%	20%	1%
Sales	70%	18%	1%
Intent to purchase	67%	20%	0%
Brand Effect	63%	24%	0%
Brand awareness	63%	24%	1%
Brand/product attributes recall	60%	24%	1%
Advertising recall	57%	27%	%
Profitability	44%	36%	5%
Market Share	40%	41%	4%

Q53. What impact has online advertising had on the following for your business?

Barriers

Internet Advertising Barriers



Q36. What practical barriers, if any, limit your companies ad spend?

Euro vs Local Planning

Allocating The Budget Pan Regionally or Locally

- In most cases each country is allocated its own budget, as every market has different needs and adopts different approaches to marketing.
- Some companies have both a pan European budget (for creative and media) and then country specific budgets as well.
- Some respondents commented that the budget changes - geography specific or pan-European - depending on the type of campaign.
- Market share, or turnover in a specific market can determine how much budget is allocated – so companies with a strong presence in all markets tended to be more interested in pan-Euro campaigns

Multi Country Ad Buys

Strengths

- ✓ Cost effectiveness
- ✓ Scope
- ✓ Integration with other ad campaigns
- ✓ Consistency of messages globally – dependent on overall marketing strategy

Weaknesses

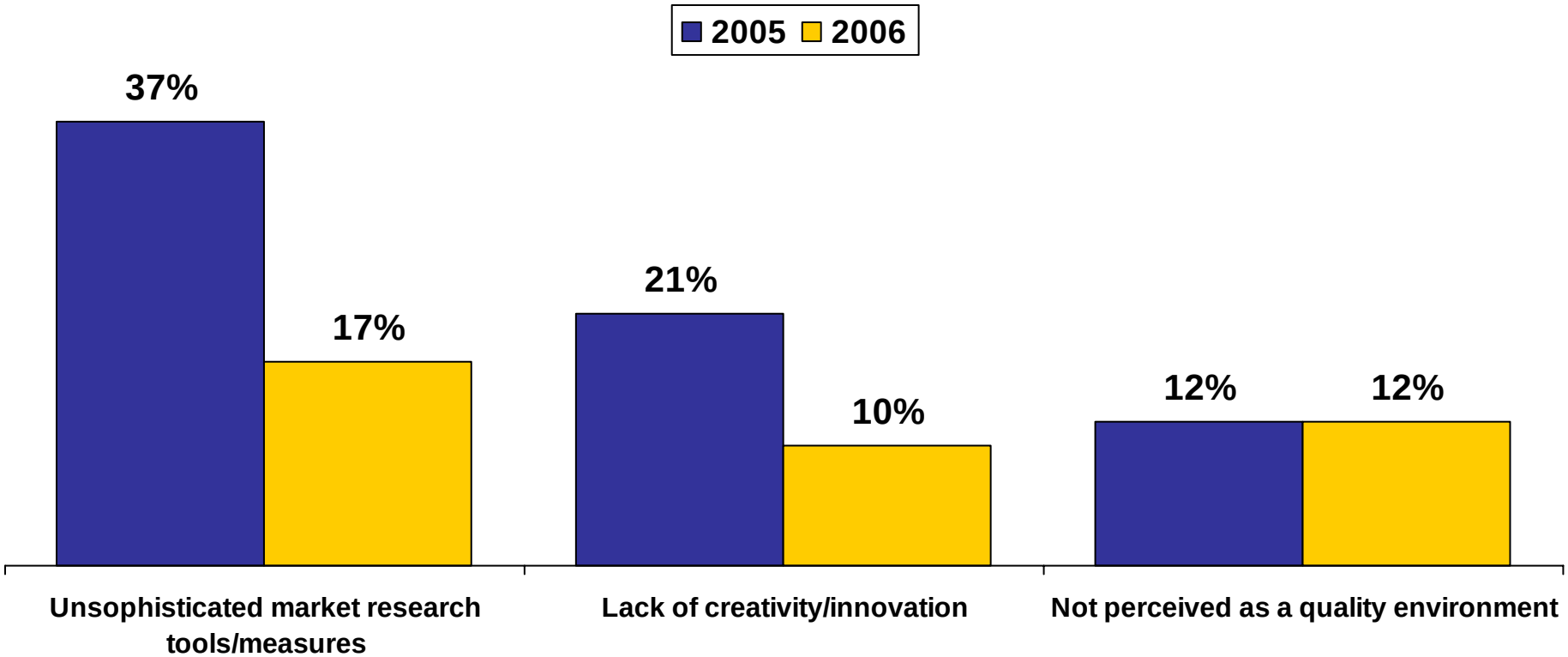
- ✗ Difficult to create a global message
- ✗ Different countries would require different advertising/objectives
- ✗ Markets are at different stages in terms of internet advertising
- ✗ Loss of local market knowledge

Base: 143

Q41 & 42

Future of Online Advertising

Making Improvements



Q58 What would you most like to see change about Internet advertising in the future?

Making Improvements

That world-wide there is the same use of technical teams and parameters to analyse the effectiveness of online advertising – Automotive, Netherlands

More control, industry wide, perhaps regulation of placement levels and strategies – Entertainment, UK

Move towards more innovative opportunities e.g. video streaming, and even more new tools – Entertainment, Pan European

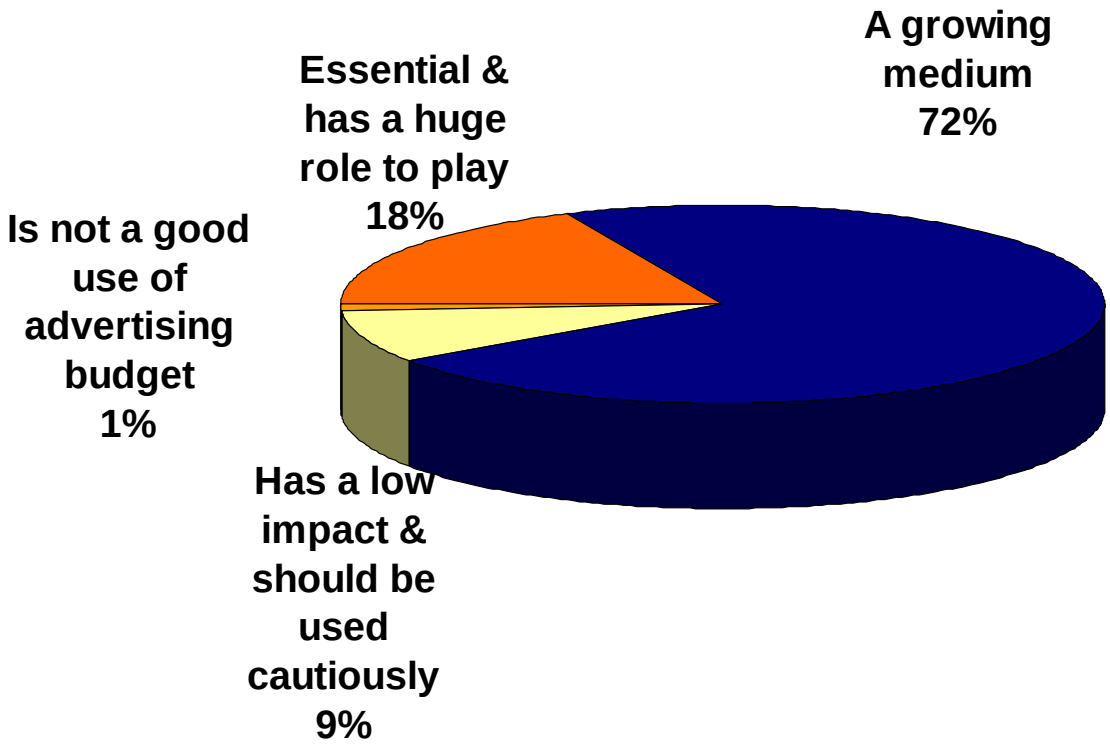
Elimination of pop-ups/banners. There are too many and no one pays any attention to them for that reason – Consumer Electronics, Spain

I would like to see it becoming more creative, and assuring that placements are more targeted and relevant by sites – Consumer Electronics, UK

Less advertising, but done better, more contained spaces. Quality not quantity – Travel, Italy

Q58 What would you most like to see change about Internet advertising in the future?

Internet Advertising - The Growing Medium


A growing medium 72%
Essential & has a huge role to play 18%
Is not a good use of advertising budget 1%
Has a low impact & should be used cautiously 9%

- It is more likely to be viewed as essential in the UK and Italy
- The travel sector see it as more essential than any other sector
- Consumer Electronics are more likely to see it as having a low impact

Q56. Which of these statements summarises your views about internet advertising as part of a communications strategy for a company like yours?

The Best Thing About Internet Advertising

The ability to target individuals and offer a deeper brand experience than a 30 sec TV ad can do – *Automotive, UK*

Creativity. The possibility to measure the impact and traceability of the evolution of the outcome – *Travel, France*

The ability to provide impact, elicit a direct response, target effectively and its trackability – *Entertainment, Pan European*

The possibility to reach individuals and measure response, correspondingly being able to measure ROI so in short its accountability- *Consumer Electronics, Netherlands*

The fact that you can influence it per minute if you want, you can straight away adapt the ad to the latest action/news, it is flexible – *Travel, Netherlands*

The ability to engage with customers on a different basis (actively and on a one to one basis) – *FMCG, UK*

Q57 Overall, what do you think is the best thing about Internet advertising?

In Summary

- The Internet is seen as the growing advertising medium
- FMCG and Entertainment sectors are embracing online more than ever before
- Its advantages are reach, ability to target, engagement with the audience and measurement and its weaknesses lack of creativity and the fact that online is not perceived as a quality environment
- It is taking from traditional media like print and TV
- Direct marketing set to increase most but brand spend plays a key role
- Pan-European ad buys show great potential across the vertical sectors
- Barriers are tumbling
- Major European brands are making online a vital part of their advertising strategy

Thank you!

For further information please contact:

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